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C O N F I D E N T I A L SECTION 01 OF 05 BEIJING 000145

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SUBJECT: TAIWAN: HU JINTAO'S DECEMBER 31 SPEECH SETS MORE "REALISTIC" AND "FLEXIBLE" POLICY, CONTACTS SAY

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Classified By: Political Minister Counselor Aubrey Carlson. Reasons 1.
4 (b) and (d).

SUMMARY

11. (C) In his December 31 speech, President Hu Jintao established a more realistic, flexible and less urgent policy direction on Taiwan, according to Embassy contacts. The speech's purpose is to establish new "guiding principles" that elevate Hu's "Six Points" on Taiwan policy to the level of Deng Xiaoping's "one country, two systems" formulation and Jiang Zemin's "Eight Points." Some contacts assess that Hu is hoping to make a "significant breakthrough" in cross-Strait relations to build his legacy before 2012, when he is expected to step down as Party General Secretary. The core of Hu's Taiwan policy is the "peaceful development framework," which stresses economic cooperation and gradual integration while postponing formal reunification. While the speech was mostly a restatement of Hu's earlier ideas, contacts noted several new phrases, including an emphasis on ending the "political standoff," which shifts the policy focus further away from formal reunification, while Hu's call to "avoid internal strife in external affairs" signaled acceptance of Taiwan's offer for a "diplomatic ceasefire," contacts agreed. Contacts were unsure what Hu's speech might mean for Taiwan's international space, with some optimistic that Taiwan will be allowed to participate in the World Health Assembly in May, while one observer said China has no "way forward" on the issue. Most PRC Taiwan experts favor abandoning the "first easy, then hard" approach and starting discussions on "sensitive political issues," one scholar said, characterizing Chinese officials as "too cautious."

End Summary.

NEW "GUIDING PRINCIPLES"

12. (C) President Hu Jintao's December 31 speech to mark the 30th anniversary of the "New Year's Message to Taiwan Compatriots" was primarily intended to establish Hu Jintao's own policy direction on Taiwan, according to Embassy contacts. (Note: The January 1, 1979 "New Year's Message" marked the end of the Mainland's shelling of Taiwan-held offshore islands and a shift toward the goal of "peaceful reunification," rather than the "armed liberation" of Taiwan.) Zhou Zhihuai (protect), Secretary General of the National Society of Taiwan Studies (NSTS), told PolOff on

January 9 that Hu's speech was designed to establish "guiding principles" (gangling) on Taiwan policy on par with Deng Xiaoping's "one country, two systems" and Jiang Zemin's 1995 "eight points." Tao Wenzhao (protect), a senior fellow in the Chinese Academy of Social Sciences (CASS) Institute of American Studies, on January 6 told PolOff that Hu's speech is "very significant" in that it was the "definitive and comprehensive statement" of Hu Jintao's Taiwan policy. The policy direction laid out by Hu is "more flexible and less urgent" than that of his predecessors, Tao asserted. Wang Wen (protect), an opinion editor of the People's Daily-owned Global Times, told PolOff on January 7 that the speech provides a more "realistic" approach to Taiwan policy. Hu knows that military conquest of the island would be disastrous, that the ideological gap between the two sides remains wide and that reunification in the near-term is unlikely, Wang argued. The speech therefore lays out a more achievable vision of reducing political antagonism and promoting closer economic engagement to create the "organic" conditions for "eventual unification."

BUILDING A LEGACY?

¶3. (C) One contact asserted that the speech is intended to bolster Hu's legacy by laying the groundwork for a possible breakthrough in cross-Strait relations. Global Times' Wang Wen argued that Hu "needs a political formulation (tifa)" to build his legacy," but so far his efforts to enshrine "scientific development" and "harmonious society" have been "frustrated." Wang claimed that many observers see Hu merely

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as "caretaker" of Jiang Zemin's economic and political policies, arguing, for example, that Hu is no longer emphasizing environmental protection and reducing wealth disparity as much as he did previously, but rather is now "focusing on overall GDP growth, just like Jiang did." Wang assessed that Hu is a "good manager," but lacks "strategic vision." A significant breakthrough on Taiwan policy, however, could change that impression. Whether China's ruling elites will completely fall in behind Hu on Taiwan policy, as they did on Deng's shift to a market economy in 1992, or possibly resist him, as many did with former CCP General Secretary Hu Yaobang's attempts at political reform in the mid-1980s, remains to be seen, Wang said.

¶4. (C) NOTE: While Hu's desire to establish his legacy may be one impetus for the December 31 speech, only Wang Wen has suggested to us that Hu is motivated to do so out of frustration over his efforts to promote his primary ideological concept, namely the "Scientific Development Concept" (SDC). Other Embassy contacts recently have emphasized that China's top leadership remains unified and that Hu is firmly in charge, even as the leadership continues to become more "collective." Hu's SDC was written into the Communist Party Charter at the October 2007 Party Congress (ref E), thus enshrining the concept in the ideological canon. Hu gave great emphasis to the SDC, as well as the need to build a "harmonious society," in his December 18, 2008 speech commemorating the 30th anniversary of China's reform and opening policies (refs A and B), a speech that, based on past precedent, almost surely reflected the consensus views of the Politburo Standing Committee. In yet another sign that the SDC appears designed to be Hu's primary legacy, China is currently in the midst of a major ideological campaign, underway since September 2008, to "study and implement" the Scientific Development Concept.
END NOTE.

¶5. (C) NSTS's Zhou Zhihuai commented to PolOff that the speech is a "good start," but Hu will have to go "much further" to make a "breakthrough" on Taiwan policy. Zhou gave Hu credit for covering all of the issues, including the politically sensitive topics of Taiwan's status, international space and military issues. Nevertheless, the

speech's principles must be followed up with action on those issues, including what to do about the "Republic of China" and how to allow Taiwan to participate in the UN system. Zhou asserted that Hu needs to be as bold as Deng, whose "one country, two systems" concept was truly groundbreaking. If Hu can show similar courage, he might be able to "wrap up" a peace agreement before he leaves office, and "maybe even share a Nobel Peace Prize with Ma Ying-jeou," Zhou declared. The "true measure" of Hu's legacy, however, will be whether he will be able to "change hearts in Taiwan," Zhou asserted. The March 2008 riots in Tibet show that economic development alone is not enough to win people over, Zhou noted.

CEMENTING THE PEACEFUL DEVELOPMENT FRAMEWORK

¶6. (C) The core of President Hu's Taiwan policy is the "peaceful development framework," Embassy contacts say. NSTS's Zhou Zhihuai said Hu has been working on this general policy since at least 2004. Hu first mentioned the "first development, then reunification" concept on a visit to Brazil that year, Zhou said. The policy was further developed through Hu's March 2005 "four nevers" speech, his meetings with KMT Chairman Lien Chan and People's First Party Chairman James Soong later that year, and in the Taiwan portion of the political report at the October 2007 17th Party Congress. Hu nevertheless needed a "keynote address" to put a "clear stamp" on China's Taiwan policy, Zhou stated. The speech was in the works for over a year, even before Taiwan President Ma Ying-jeou's March 2008 election, and therefore was revised several times as changes took place in cross-Straits relations since then. As for the speech's timing, Hu chose the 30th anniversary of the "New Year's Message to Taiwan Compatriots" simply as an "opportune time" to make the address. The Party's Central Policy Research Center, headed by Wang Huning, was responsible for drafting and coordinating the speech, Zhou said. (NOTE: Taiwan Affairs Office Deputy Director Sun Yafu told several U.S. experts on January 12 that Hu's speech should not be seen as top-down, but rather the result of a "bottom-up" process, according to a readout provided to PolOff by the experts. The speech was "extensively coordinated" with all the relevant ministries

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and key scholars in an effort to "form a consensus" and "generate support" for the new policy direction, Sun said.)

¶7. (C) A key aspect of Hu's peaceful development framework is the reduced urgency for unification and a rejection of a timeline for progress, contacts say. CASS's Tao Wenzhao noted that Hu was careful to emphasize the points contained in previous policy statements on Taiwan that were in conformity with his own policy emphasis. For example, Hu quoted sections of the 1979 message that stressed the need to "take present realities into account," "respect the status quo of Taiwan" and "adopt fair and reasonable policies." Hu did not, however, restate the plea for "Taiwan to return to the embrace of the Motherland at an early date" or refer to the other more "urgent" aspects of the 1979 message, Tao pointed out. Similarly, NSTS's Zhou Zhihuai said Hu's approach is meant to "reverse Jiang Zemin's effort" to establish a "reunification timeline." While Jiang's eight points from 1995 did not include a timeline, it did include the phrase that reunification should not be "delayed indefinitely." Jiang later told President Clinton in 2000 that there "should be a timeline for reunification," Zhou stated, but the idea was "not fully incorporated" into China's Taiwan policy. It is difficult to find anything in Hu's speech that suggests a time element for progress on cross-Straits relations, Zhou argued, other than a general sense of urgency not to miss the "historic opportunity" at hand.

ANSWERING THE CRITICS

¶ 8. (C) Contacts say the December 31 speech, with its reiteration of past policy, also answered critics who claimed that Hu had strayed from established policy. NSTS's Zhou Zhihuai said some critics claim Hu has not said enough about one China, reunification and opposing Taiwan independence in his statements since Ma's election in March 2008. This speech, however, had frequent references to all of those issues. Contacts stressed, however, that this was largely for domestic reasons and should not be seen as Beijing having adopted a "harder line" toward Taiwan. Tao Wenzhao emphasized that the key elements of the speech were Hu's "six points." Hu's recitation of past policies, Tao argued, was simply the "Chinese way of doing things." Sun Yafu similarly urged the group of U.S. experts mentioned above to focus on Hu's six points and not the first half of the speech containing the references to past policies.

¶ 9. (C) Global Times' Wang Wen pointed out that "all major Chinese policy addresses have to reiterate past policies." For example, Hu will state China's adherence to "Marxism, Leninism and Mao Zedong thought," even though there is little relevance of such ideology to today's China. Wang opined that despite Hu's effort to appease his critics, the PLA is "unhappy" with his policy direction because much of the PLA's budget and military modernization efforts have focused on the Taiwan mission. Although Hu referred to Jiang's Eight Points and the 2005 Anti-Secession Law, Wang noted, Hu pointedly left out any reference to China's longstanding policy of not renouncing the use of force. A conflict in the Taiwan Strait is now "extremely unlikely," Wang asserted.

REDEFINING THE STATUS QUO

¶ 10. (C) Contacts say that Hu took tentative steps toward redefining one China and toward establishing a new mechanism for cross-Straight interaction. CASS's Tao Wenzhao, echoing TAO Director Wang Yi's January 8 statements to Deputy Secretary Negroponte on the "very important" but "subtle" wording changes in Hu's Speech (ref D), said that Hu's rewording of the definition of one China in the first of his six points was particularly significant. First, Hu said the fact that reunification has not yet taken place does not mean that there is a "division of Chinese territory and sovereignty" but rather there is a "political standoff" (zhengzhi duili). Therefore, reunification will not be the "re-creation of sovereignty and territory, but an end to the political standoff." Tao opined that this statement shifted policy from seeking "formal reunification" to the more attainable goal of resolving the current "political standoff."

¶ 11. (C) Another phrase that Embassy contacts are discussing is Hu's language in the sixth point: "The two sides can hold

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pragmatic exploratory discussions on their political relationship in the special context where the country has not yet been reunified." TAO's Sun Yafu reportedly told the visiting U.S. experts that the Mainland and Taiwan sides need to take this statement as an impetus to work out a "mechanism" for "official contacts" between the two sides. (Note: The U.S. experts commented to PolOffs that there have already been several "violations" of the "no official contact" policy, including the fact that five senior Taiwan officials attended the December 19-20 KMT-CCP forum in Shanghai, indicating that the no official contact policy is already not being enforced.) Nevertheless, the lack of such a mechanism for dealing with the formalities of high-level face-to-face meetings, Sun argued, was directly responsible for the "failure" of the November 2008 meeting between President Ma Ying-jeou and ARATS President Chen Yunlin in Taipei. Sun noted that the Ma-Chen meeting was scheduled for an hour but only lasted seven minutes because the two sides could not agree on the modalities of the meeting.

IMPLYING ACCEPTANCE OF DIPLOMATIC CEASEFIRE

¶12. (C) Contacts say that Hu's speech implied acceptance of President Ma Ying-jeou's call for a "diplomatic ceasefire." CASS's Tao and NSTS's Zhou both highlighted the speech's fifth point phrase: "avoiding internal strife in external affairs is conducive to furthering the overall interests of the Chinese nation." They suggested that that phrase indicates tacit acceptance of the diplomatic ceasefire.

(NOTE: The U.S. experts told PolOff on January 13 that when they met with Ma Ying-jeou in early January 2009, Ma said this phrase and Hu's endorsement of a "comprehensive economic cooperation agreement" were the two positive responses from Hu to Ma's proposals.) Zhou commented that Hu could not formally mention the "diplomatic ceasefire" because it implies the existence of two countries. (NOTE: On December 15, Renmin University Professor Jin Canrong told PolOffs that the MFA is still opposed to the ceasefire, in part because it means "fewer ambassadorships" will be available to MFA career diplomats. Jin claimed the MFA is particularly unhappy because five countries that currently recognize Taiwan are willing to switch their recognition to the PRC, but MFA has been forced to give up this "achievement" because of pressure from the TAO to observe the "diplomatic ceasefire." The "ceasefire" will hold as long as President Hu continues to "side with the TAO" -- over MFA -- on this issue.)

IMPLICATIONS FOR TAIWAN'S INTERNATIONAL SPACE?

¶13. (C) Embassy contacts held differing views on what Hu's speech might mean in practical terms, including on "international space" issues such as when and how progress can be made on Taiwan's participation in the World Health Organization/World Health Assembly (WHO/WHA), military confidence-building measures or a cross-Straits peace agreement. CASS's Tao Wenzhao opined that the two sides should be able work something out on WHO/WHA by May 2009. TAO's Sun Yafu was reportedly reluctant to go over Hu's point on external affairs "line by line" with the U.S. experts, but Sun is said to have struck an optimistic tone by noting that "it is much easier to move forward" now that the "greatest obstacle" -- acceptance of the '92 consensus as a basis for reengagement -- has been overcome. NSTS's Zhou Zhihuai, by contrast, told PolOff that the PRC "does not have a way forward" to make substantial progress on WHO/WHA by May. Zhou opined that some progress is possible, but it would not be enough to "meet the expectations" of Ma Ying-jeou and the international community. Zhou predicted that, should progress on the WHO/WHA issue not be possible, it would mark the "end of the honeymoon" for cross-Straits relations and would likely lead to heavy criticism of Ma from the Greens in Taiwan.

¶14. (C) Global Times' Wang Wen commented that he has seen "various internal proposals" on international space for Taiwan. The Xiamen Institute of Taiwan Studies has written a fairly straightforward proposal of allowing Taiwan to attend the WHA under an appropriate name, Wang claimed. The Ministry of Commerce, by contrast, has circulated a "radical" proposal involving granting Taiwan officials PRC passports and setting up Taiwan trade offices, staffed by people from Taiwan, in PRC embassies throughout the world. Wang opined that this proposal was "unworkable" and "clearly

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unacceptable" to Taiwan.

MISSILE WITHDRAWAL?

¶15. (C) Asked about Hong Kong press reports that China is considering withdrawing missiles deployed opposite Taiwan, NSTS's Zhou Zhihuai said the PLA has become "much more amenable" to the idea of a withdrawal. Nonetheless, Zhou argued, the withdrawal is really a "fake issue," as everyone

knows that, even if the missiles were pulled back, it would only take "40 hours" to redeploy them. Some are worried that, because Taiwan knows this, China would not get as much credit for a possible pullback as it might have when Taiwan's Democratic Progressive Party (DPP) was in power. In addition, a missile withdrawal might raise unrealistic expectations for rapid progress on the military front. Zhou said the PRC should withdraw the missiles as a show of "goodwill" and worry less about how much mileage it gets from such a gesture.

PEACE AGREEMENT: MOST FAVOR GETTING UNDERWAY

¶16. (C) Zhou advocated that the Mainland and Taiwan "immediately" begin separately crafting language for a peace agreement. Zhou said that after the two sides finish their respective drafts, they can meet to finalize the language of a peace agreement. Such an agreement is possible, Zhou averred, as long as it is "narrowly focused" on formally ending the state of hostility and remains vague (mohu) on the meaning of "one China" and the goal of "eventual reunification." Zhou lamented that the Chinese bureaucracy is "too cautious" and expressed hope that Hu's speech will prompt the two sides to start dealing with such "political issues." Zhou said that he attended a January 1 "study session" on Hu's speech that was led by TAO director Wang Yi, and that he himself hosted another study session of the speech on January 7 with Taiwan experts from Fujian, Shanghai and Beijing. At these sessions, Zhou said, most PRC scholars supported casting aside the "first easy, then hard; first economics, then politics" approach and moving forward with substantive discussion of sensitive political issues. After all, political issues, such as Lien Chan's participation in APEC, have already been discussed, scholars argued. Zhou asserted that one impediment to moving forward on these sensitive issues is Chinese officials' fear of being blamed for a downturn in relations if negotiations on these sensitive topics break down.

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